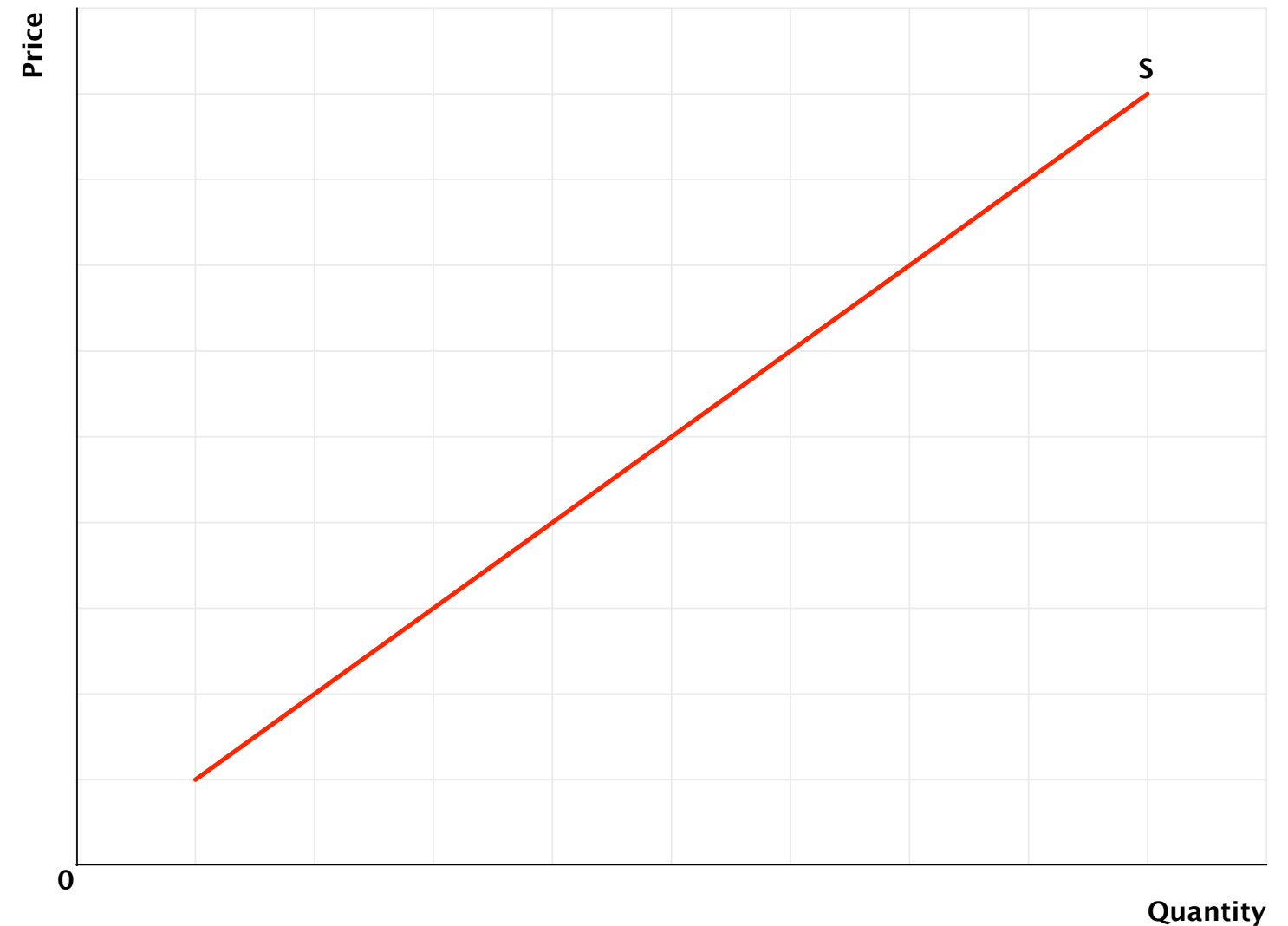


# Supply

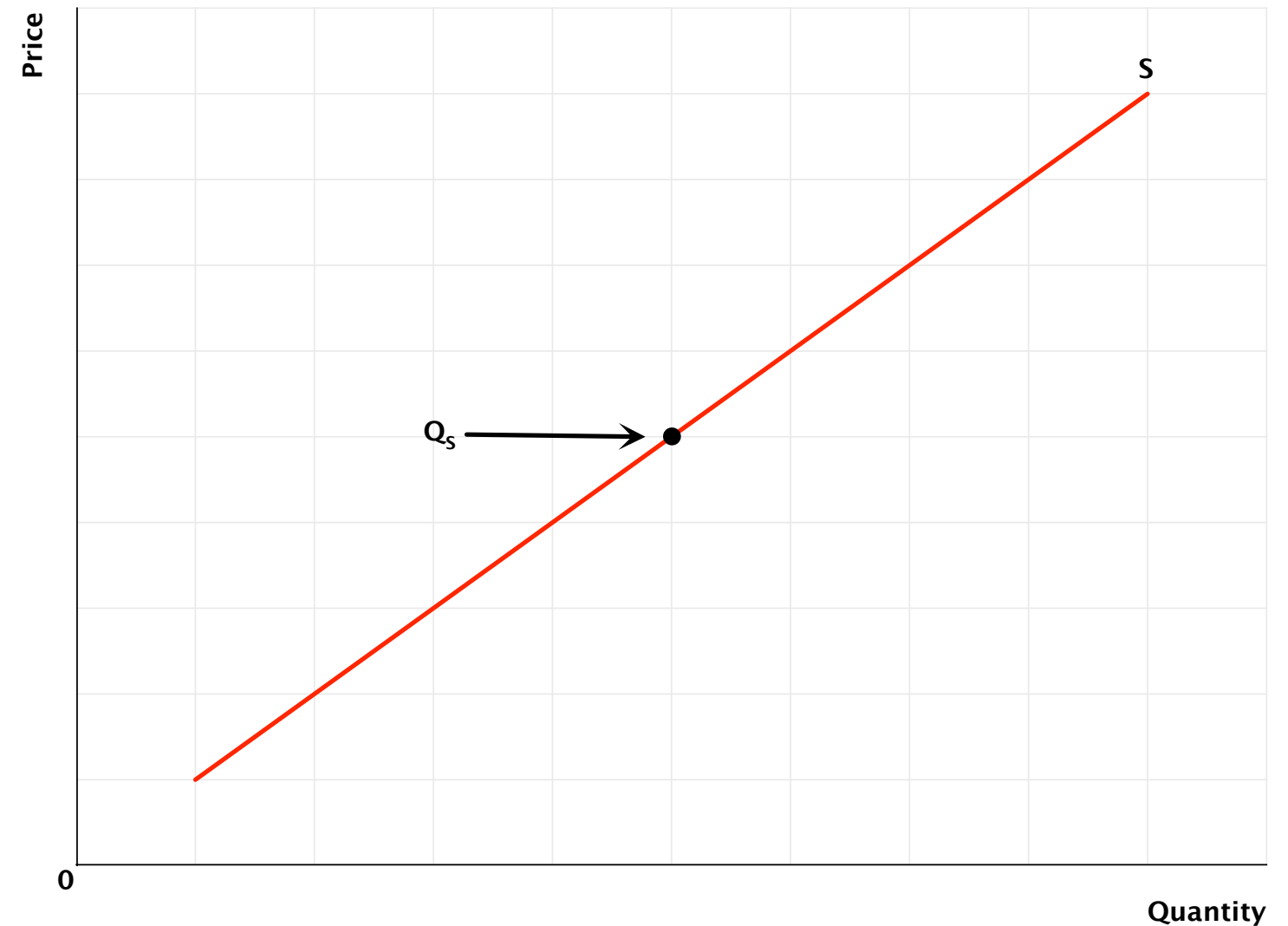
Change in Supply

- **Supply** relates to producers (the people making and selling stuff).

- **Supply Curve:** a graph showing how the quantity of a good or service supplied changes with a change in price.
- How many people are willing and able to sell at all the different prices.



- **Quantity Supplied:** the amount of a good or service people or businesses are willing and able to provide at a given price.
- $Q_s$  is one point on a Supply Curve.
- How many people are willing and able to sell at one specific price.



- **Law of Supply:** the quantity supplied increases as price increases (positive relationship).
- Generally speaking, people are willing and able to sell more stuff when the price goes up (and vice versa).

- **Determinants of Supply:** non-price factors that influence the supply of a product.

- **Costs of Production:** the cost of the factors of production (land, labor, capital, entrepreneurship) used to produce a good or service.
- Ex: If the price of corn increases, the supply of cornbread decreases.

- **Technology:** machinery, computers, etc. used in the production process.
  - Ex: If a new assembly robot is invented, the supply of cars increases.



- **Number of Producers:** the number of firms willing and able to produce a good or service.
- Ex: If thirty new pizza parlors open up in town, the supply of pizza increases.

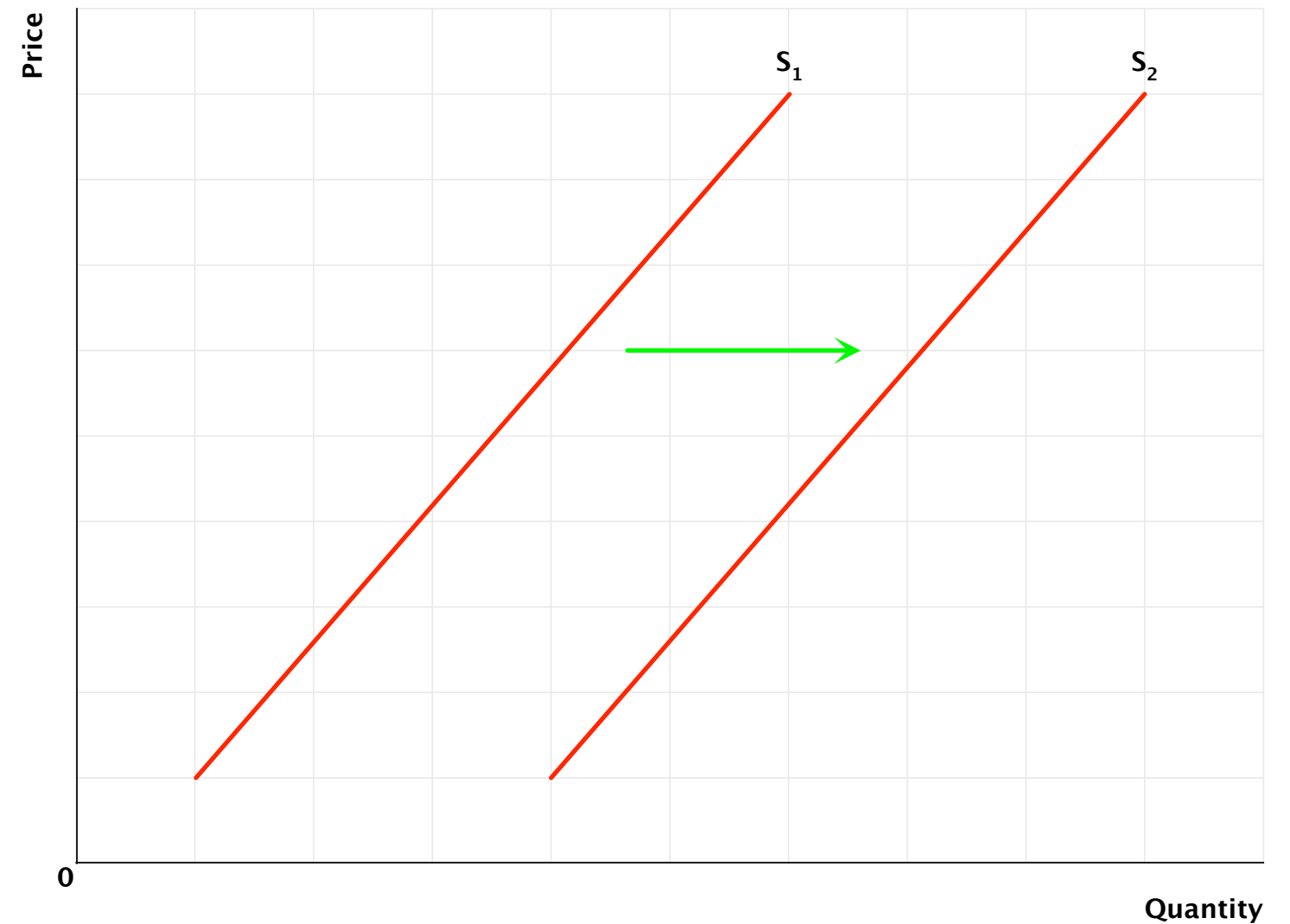
- **Substitute Producer Goods:** other goods or services that the seller might supply.
- Ex: If the price of goat's cheese increases, the supply of goat's milk will decrease.

- **Government Action:** taxes and subsidies.
- Ex: If the government adds a tax to chocolate, the supply of chocolate will decrease.

- A change in supply (or shift in supply) means that the entire supply curve moves – caused by none price factors.
- Do not confuse with a change in quantity supplied (movement along the supply curve)!

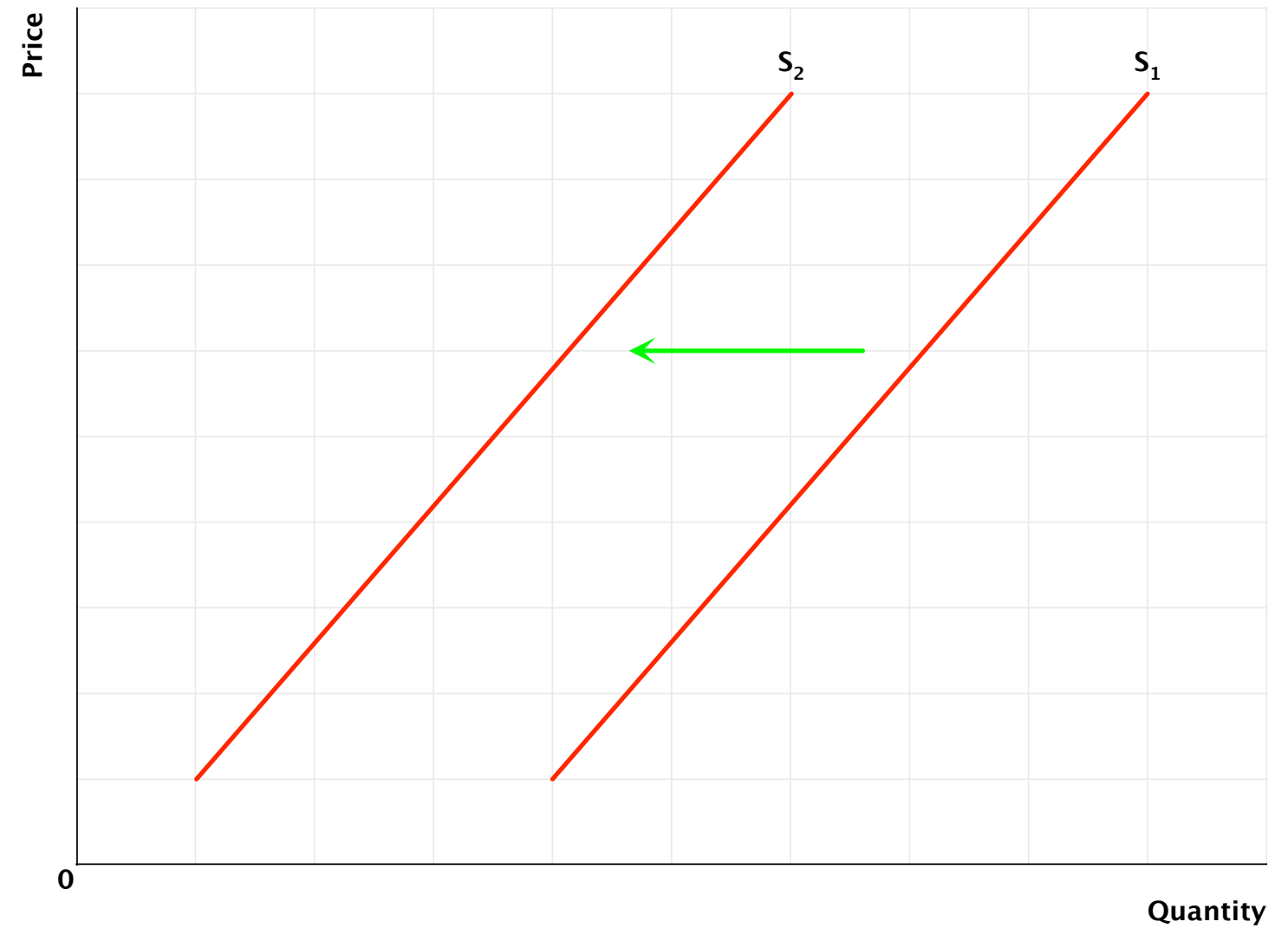
- **Increase in Supply**

- The supply curve moves to the right.
- Firms will produce more at each and every price.



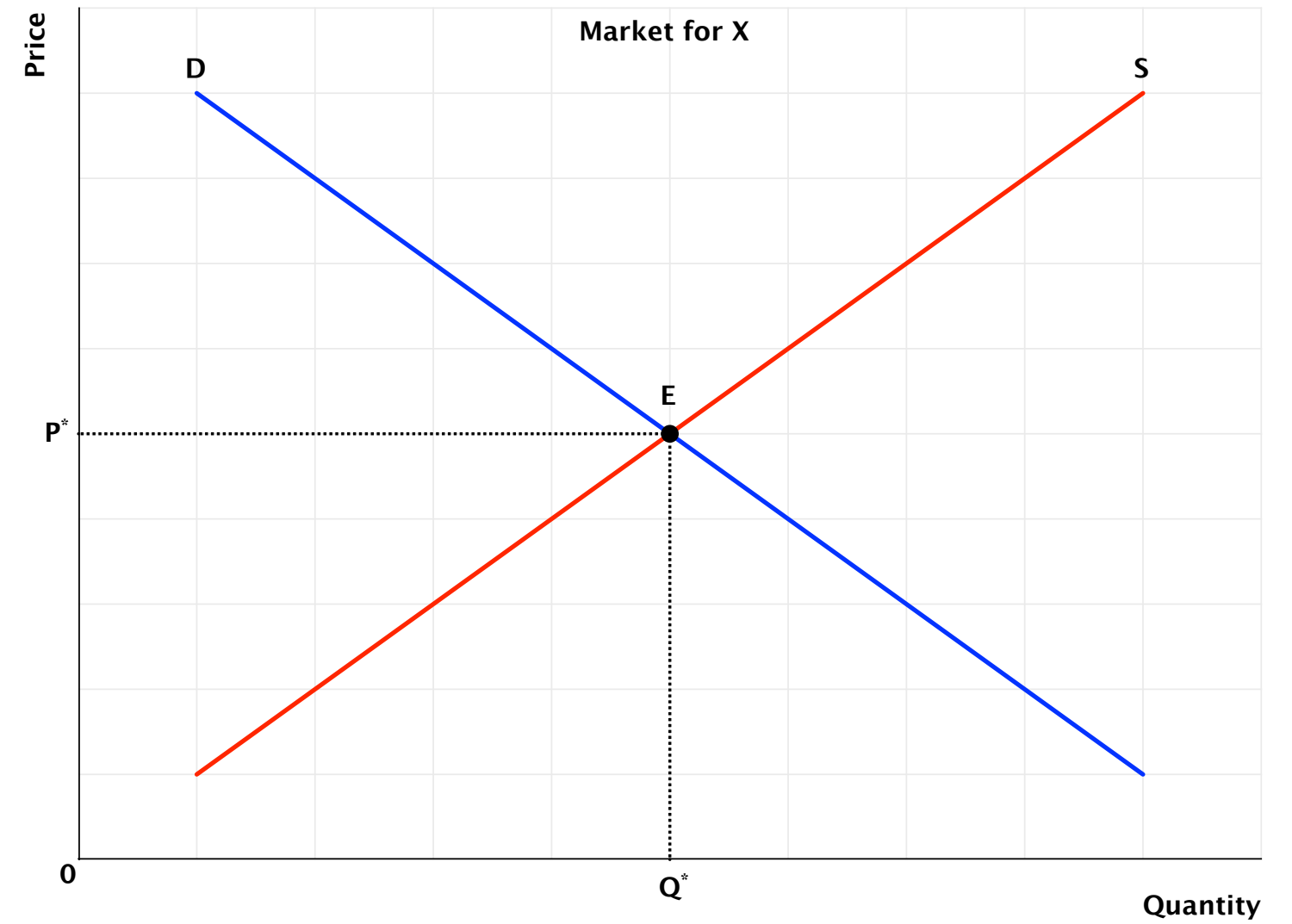
- **Decrease in Supply**

- The supply curve moves to the left.
- Firms will produce less at each and every price.



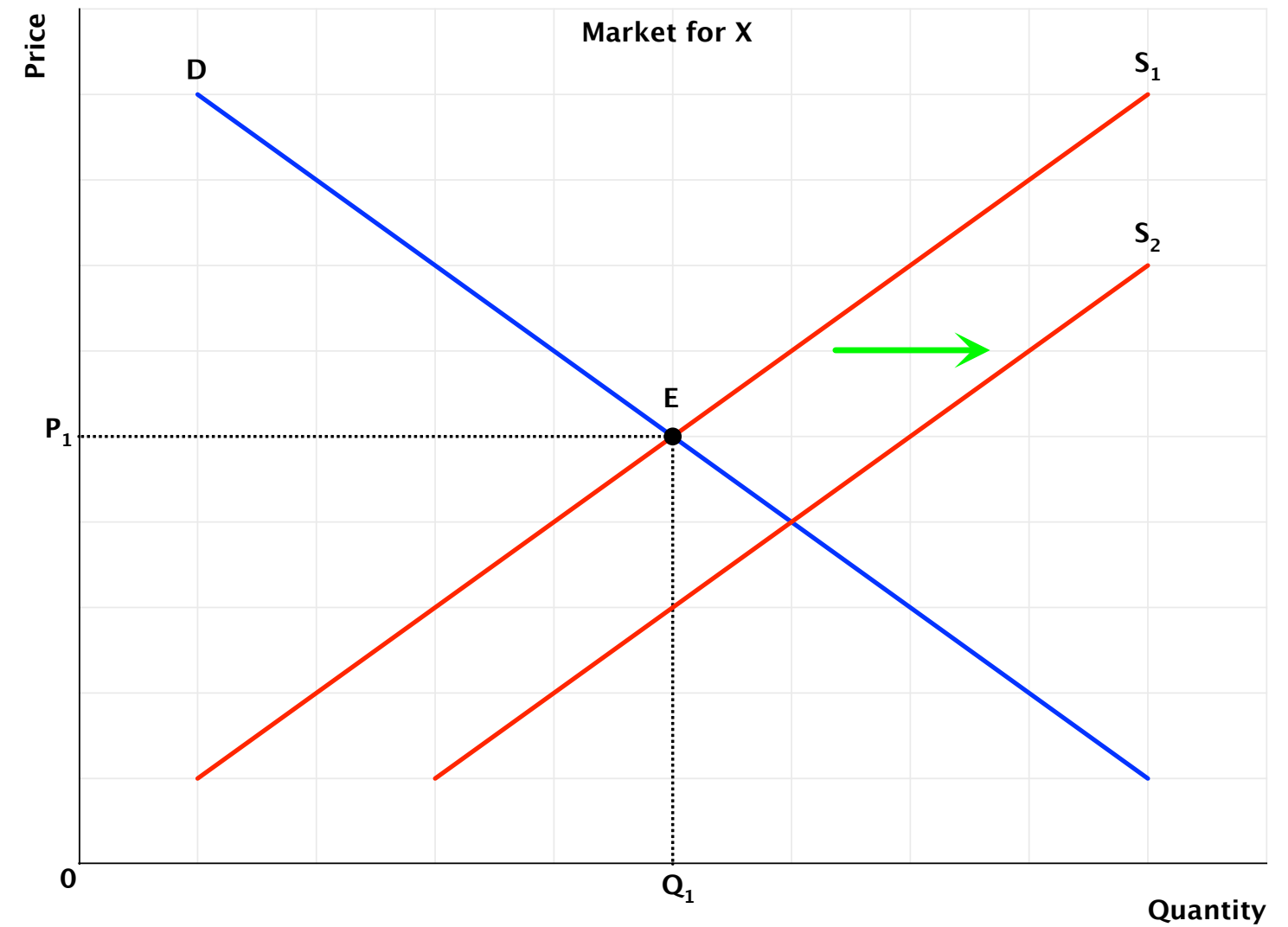
- How a change in supply affect equilibrium price and equilibrium quantity?

- Here's a market in equilibrium.

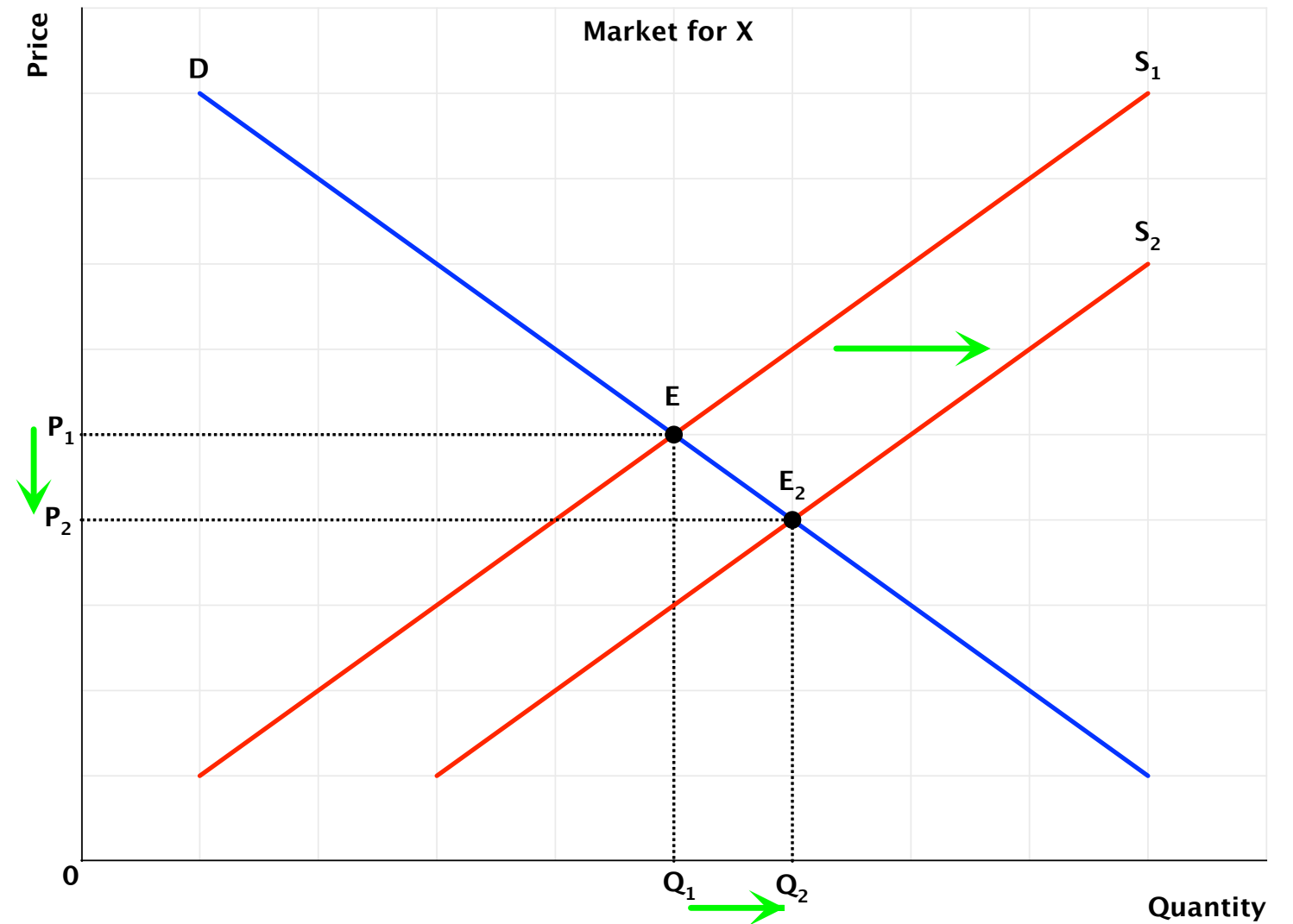




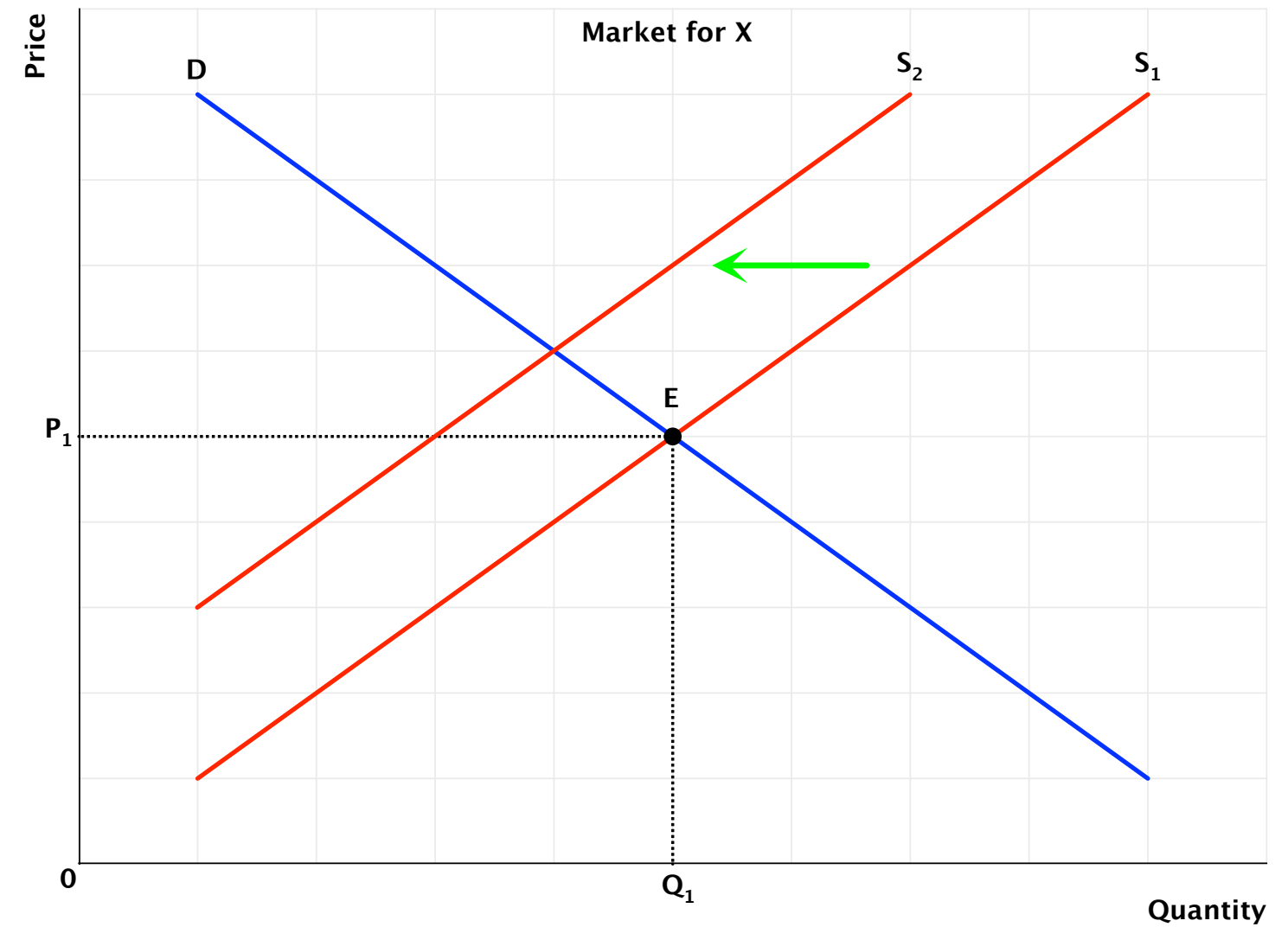
- Now let's increase supply.
- What happens to equilibrium price and equilibrium quantity?



- Equilibrium price decreases, and equilibrium quantity increases.



- Now let's decrease supply.
- What happens to equilibrium price and equilibrium quantity?



- Equilibrium price increases, and equilibrium quantity decreases.

